Design Sense
55

GROWTH AND YOUR PRICE-EARNINGS RATIO

Special:
A Growth Attitude Test for Your Company

A Marketing Publication of
Lippincott & Margulies, Inc. and Lippincott & Margulies Ltd.
Consultants in Design—Marketing—Communications
277 Park Ave., New York, N.Y. 10017
2200 Yonge St., Toronto, Canada
53 Grosvenor St., London W.1, England
also Zurich
No part of this periodical may be reproduced without written consent.
© Lippincott & Margulies, Inc. and Lippincott & Margulies Ltd. 1967

In this issue...

Part I: Growth and Your Price-Earnings Ratio . . . . . **pg. 2**
What's so important about the P/E ratio? Can you rely on it to serve as an accurate indicator of the financial world's assessment of your company? If not, what else must you do? And what's the one thing you should never do? These questions are dealt with here to provide a frame of reference for what follows on the subject.

Part II: The Price-Earnings Ratio—A Perspective . . . . . **pg. 4**
The ploys and counter-ploys put in motion as big fish and little fish maneuver for position in a "winner take all" game in which the price-earnings ratio serves as such an important indicator. A close-up view of the basic mathematics and the misconceptions that affect the P/E ratio, with the facts drawn from recent experiences involving companies in key categories of business.

Part III: Four Wall Street Experts Comment On the P/E Ratio . . . **pg. 10**
A question-and-answer session with four of the Street's acknowledged experts on the meaning and importance of price-earnings ratios. The directly quoted comments are from Robert B. Johnson, partner in charge of research for Paine, Webber, Jackson & Curtis; Dan W. Lufkin, chairman of Donaldson, Lufkin & Jenrette; James W. Michaels, editor of Forbes Magazine; and William W. Helman, vice president of Smith, Barney & Company.

Part IV: Test Your Own Company's Attitude Toward Growth . . . . **pg. 16**
Among other things, such indicators as the P/E ratio offer a somewhat generalized measurement of a company's perceived future growth. Since this factor is of such overriding importance in our "grow or die" economy, we offer our own highly specific indicator of growth attitudes in the form of a 20-question Growth Attitude Test. This test may lead to some eye-opening insights about your company that go far beyond an interpretation of your current P/E ratio.

GROWTH AND YOUR PRICE-EARNINGS RATIO

It may be a slight exaggeration to say that today's business climate makes continuing corporate growth the prerequisite of continued corporate survival.

Yet all the facts at hand suggest that there is more truth than fancy in the pervading "grow or die" imperative.

Ask any sophisticated member of the financial community. He will be prepared, at a moment's notice, to cite all of the prime indicators of corporate strength, not the least of which would seem to be prospects for future growth, with one measurement of these prospects being "a high price-earnings ratio."

But one word of caution: such indicators as the P/E ratio are not self-evident signs of a corporation's vitality. Even in antiquity, when phases of the moon or the entrails of sheep were among the more highly prized indicators, they required interpretive guidance to make their meanings clear.

In short, one cannot simply sit back and depend upon indicators to indicate by themselves. If they are to have meaning, they must be interpreted and projected, while the strengths of the company are communicated.

The Worst Thing You Can Do

It is obvious that you cannot leave such communications to the vagaries of chance. Nor can you rely solely on outside analysts to make the most valid critique of your overall corporate strength and potential.

But in taking action yourself, there is one vital point that must, at the outset, be made unequivocally clear. It is this: whatever it is you plan to say, it had better reflect *substance* and *performance.*

Or as one expert said bluntly, when asked how far a company should legitimately go in trying to upgrade its P/E ratio: "One thing a company shouldn't do is rely on a slick public relations effort."

We would go further than that. We'd say it is the very worst thing you can do.

Needed—A Clear Conception of the P/E Ratio

Briefly stated, our objective in this Design Sense issue is to provide our readers with the clearest possible conception of all that the P/E ratio implies, and by doing so, to pave the way for a more meaningful understanding of what it reveals, or fails to reveal, about your company.

Beyond this, we have created another indicator that may be just as valuable to your own perception of your company as the P/E ratio. This you will find in the form of a test designed to measure the prevalence of a *Growth Attitude* in your company. In answering the questions it poses, you may find the larger question of the goals your company should be striving toward—both in performance and its communication—substantially clarified in your own mind.

"But what are our prospects
for the future?"

THE PRICE-EARNINGS RATIO

A PERSPECTIVE

"The big fish are eating the little fish"

The name of the corporate game these days seems to be: acquire or be acquired. The pace is so rapid—more than 4,000 companies disappeared into the maws of other companies last year—that it can only be described as Darwinian. The big fish are eating the little fish.

Many of these deals have been friendly, as Diamond Alkali Co.'s proposed acquisition of Shamrock Oil & Gas Corp. through an exchange of stock valued at $285 million, or the proposed consolidation of Ideal Cement Co., Potash Co. of America, and American Crystal Co.

A good many other deals have been anything but friendly. Most of them have involved tender offers—situations in which an attempt to buy stock has been made over the heads of protesting management directly to their stockholders. On rare occasions, management objections have been enough, as was the case when Ling-Temco-Vought, Inc. recently set its cap for Allis-Chalmers Manufacturing Co. and then backed off when directors of the Wisconsin farm implement producer questioned "the intrinsic value of the securities being offered Allis-Chalmers shareholders."

Offensive weapons: "Secrecy and surprise"

Usually the hook isn't that easy to dislodge, largely because the offense has developed a whole panoply of weapons. Not the least of these is secrecy and surprise. The aim is to prevent the market from running away from the would-be bidders. Pennzoil Co., for instance, had been planning its campaign for almost a year before the first of its advertisements for United Gas Corp. common stock appeared in the financial sections of the newspapers. The secrecy lid was clamped on so tight that United became "Company X" in interoffice memos, wastepaper baskets were continuously policed for any stray notes that might have tipped Pennzoil's hand and the brokers, especially, were kept in the dark. Several different firms were queried by a bank on behalf of an unidentified customer. In the six months before it finally sprang the tender trap on United Gas, Pennzoil acquired some 275,000 shares of the stock in the open market.

"The defense has developed a few ploys of its own"

The defense is beginning to catch up, and has developed a few ploys of its own. One of the most common is a reach for friendly hands. The idea is to escape the clutches of the bidder by arranging a deal with a company that seems more hospitable. Some such situations have become almost Florentine in their complexity. Thus, North & Judd Manufacturing Co., unwilling to make sweet music with Victorian Instrument Co.—and giving the cold shoulder to a proposition from Wilson Brothers—which was trying to escape the unwelcome advances of D. W. G. Cigar Co.—finally set up housekeeping with Gulf & Western Industries.

Similarly, Lunkenheimer Co., taking violent evasive action from separate offers by Condec Corp. and U. S. Industries, wound up in the protective embrace of Textron.

Setting up a line of resistance in the courts is also a standard defense tactic, usually designed in the first instance to keep the bidder from getting access to the stockholder list. Sometimes this strategy succeeds brilliantly. McKesson & Robbins, for instance, with the help of top-flight legal talent, managed to fight a rear-guard action against Foremost Dairies that lasted for almost two years. When McKesson ultimately merged with Foremost, it was on terms that were considerably better than those originally offered.

"Quickie stock splits and dividend increases are standard defense tactics"

Quickie stock splits and dividend increases, aimed at showing stockholders which side their bread is buttered on, are a standard defense tactic, too. Dayco Corp., for instance, pulled the rug from under the Allied Products Corp. bid when it split 5-for-4 and increased the quarterly dividend on the new stock from 10 cents to 40 cents.

The grand strategy behind a tender offer or the generally much more friendly arranged marriage of a merger is usually clear enough. Often it's an attempt to expand beyond cyclical items into lines that offer greater growth, such as Rockwell-Standard's diversification out of axles, transmissions and other auto parts into executive type jet planes and space-age air filters. Sometimes the design pivots on a raw materials ploy, such as Ashland Oil & Refining's abortive reach for the rich crude reserves of Amerada Petroleum. In other cases, merger offers a way to translate assets into earnings power, such as City Investing's jump out of real estate into defense-aerospace, or an attempt to match profits against large tax-loss carryforwards, as in the case of Studebaker's acquisition campaign.

"Disappointing profit performance is characteristic of many of the victims"

The motives can be diverse, but there is a near-constant in the equation: *the acquired company has usually not been doing nearly so good a management job as the bidder.** That conclusion fairly leaps from a study of 50 cash takeover bids made by Professors Samuel L. Hayes 3rd and Russell A. Taussig. Their research, financed by Columbia University's Graduate School of Business, showed that a "cut in the dividend payout because of disappointing profits" was characteristic of many of the victims—the little fish, as it were. "Not only do lower dividends nearly always erode the market price of a company's stock," the study continued, "but even more important in terms of a takeover threat, they arouse stockholder hostility."

Many takeover targets are so conservatively managed that they tend to be loaded with cash and, in relation to equity, to carry a good deal of unused debt capacity. "Don't rock the boat" and "drift with the tide" are often as not the management watchwords in such cases, and the result is almost invariably indelibly stamped on the income sheet. "In almost two-thirds of the cases," the Hayes-Taussig study says, the victims "were earning a significantly lower return on share-holders' equity than were their matching control companies."

"A high P/E ratio: Almost too valuable a management tool to be subjected to the whimsies of the marketplace"

Lower returns have a way of being reflected in the stock market. The price-earnings ratio—the amount of cash investors are willing to shell out for each dollar per share a company earns—is not the only club in the security analyst's bag, but in the merger game it weighs heavily. For many companies, in fact, it is the difference between acquiring—and being acquired. A high P/E ratio is one of the things that makes a stock attractive merger currency. In some cases, the process is self-feeding. Thanks to the peculiarities of the arithmetic involved, a high P/E ratio company that picks up a low P/E ratio company shows an immediate jump in per share earnings. On the other hand, a low P/E ratio company that acquires a high P/E ratio company has to grapple with the problem of a dilution in earnings per share *(see box)*.

A high P/E ratio may offer more than just a cheaper way to buy up other companies. It could have the collateral virtues of reinforcing the incentive built into executive stock options, put a kicker into the possibility of preserving profits by paying stock rather than cash dividends, and mean still more cash if a company goes to the capital markets with an equity offering. In all, a very valuable management tool; almost too valuable to be subjected to the whimsies of the marketplace.

*There are many exceptions, of course, as in those cases in which a highly profitable smaller organization seizes an opportunity to realize substantial capital gains for its shareholders by allowing itself to be acquired.

Merger Mathematics

or

How to Buy A Dollar of Earnings with Less Than A Dollar of Earnings

	Company X	Company Y	Company Z
Earnings per Share	$ 2	$ 2	$ 2
Stock Price	$40	$26	$56
P/E Ratio	20	13	28

Let us assume that company X has commanded a price-earnings ratio of 20, so that when earning $2 per share its price is in the range of $40.

Let us also assume that it wishes to acquire company Y, whose P/E ratio has historically been about 13. If Y is also earning $2 per share, its price would be about $26.

Obviously, in acquiring Y, X might have to pay some premium over market price, but not so big a premium as to contradict the fact that it takes less than a dollar of X's earnings to buy a dollar of Y's.

But take the reverse for a moment. Company Z commands a P/E ratio of 28. If it, too, were earning about $2 a share, so that its stock sold at approximately $56, we would find that X must use more than a dollar of earnings, in order to acquire a dollar of Z's earnings.

"Big year for the so-called 'Cinderella' stocks"

Yet, there are times when forces that appear to be whimsey take control. The past year, 1967, has been a big one for the so-called "Cinderella" stocks, issues that have been more or less dawdling along only to come suddenly to life. Often this happens because an industry reaches a take-off point and plunges into a period of rapid expansion, or because a small segment of the business gets a jolt of adrenalin.

One such example is the group of secondary issues in the electrical equipment industry that created a great market stir when analysts began totting up the profit potentials of all the spending on new equipment the electric utilities will be doing over the next several years.

Still another example is the high-octane thrust given the P/E ratios of a number of suppliers plugged into the boom in jet airliners. Among these are two metal fabricators, an industrial category that does not ordinarily cause much of a ripple in the conversation around the tables at the New York Stock Exchange Luncheon Club. They are Monogram Industries, which makes chemical toilets for aircraft; and Sundstrand, a machine tool producer that has expanded into constant-speed drives for jets.

"Investors are willing to pay a premium for growth"

The wave of speculation that burst over specialty stocks this year demonstrates the old truism that investors are willing to pay a premium for growth. This has traditionally shown in industry ratios. Ethical drug producers, for instance, because of the dynamics of the industry, have long commanded higher multiples than, say, paper producers. On average, electronics companies generate a much higher velocity of bidding in the market-place than issues that are more or less bound to the wheel of the business cycle, such as the steels.

Yet even within industries some companies consistently rate higher in investment esteem than others. Why? All the statistical evidence, including a recent study of some 400 companies by John E. Hammel and Daniel A. Hodes, management analysts for General Telephone & Electronics Corp., indicates that investors tend to buy future growth. Past track records are by no means unimportant, but the great intangible built into the P/E ratio is great expectations.

"Future expectations on earnings have greater influence on stock prices than the record of past or current earnings"

Hammel and Hodes found that "Expectations with regard to future earnings—particularly with regard to growth in earnings—have a much greater influence over the price of stocks than the record of current or past earnings." Their computer also printed out enough information to support the conclusion that "companies with a history of highly volatile earnings tend to trade at lower price-earnings multiples than other comparable companies whose growth in earnings have been more stable." A reputation for research and development, the ability to give birth to and aggressively market a continuing flurry of new products, even a kind of brand identification also get cranked into the P/E equation. DuPont, for instance, thanks to its talent for fruitful research and a steady stream of new products such as the new leather substitute, Corfam, has consistently boasted a P/E ratio that runs 20 to 25 per cent ahead of comparably diversified chemical manufacturers.

Much the same point can be made of Scott Paper (higher margins, high visibility and brand identification) compared with Kimberly-Clark; General Electric *vs.* Westinghouse; or Sears, Roebuck *vs.* Montgomery Ward. In essence, it all becomes a question of image, *and images change.*

The case of ACF Industries: "A remarkable turnaround"

Two decades ago, for instance, ACF Industries, under its old name of American Car & Foundry, ranked well within the top 100 U. S. industrial corporations. The company was almost exclusively a railroad car builder and when the investment community soured on railroads, ACF was caught in the backlash. It tried diversifying into electronics—and struck out. It tried nuclear reactors—and struck out there, too. By 1959 profits had dropped to the lowest level in eight years and return on equity to a not much more than break-even 2.3 per cent.

A new management team had its work cut out for it. The decision: to keep ACF close to its metal-working and railroad car lasts. By sedulously cultivating its carburetor, valve and fitting markets and by switching from the direct sale to the leasing of railroad rolling stock, ACF has staged a remarkable turnaround.

Since 1960 sales have risen more than 50 per cent, and earnings almost ten-fold. The company's return on equity has shot to 18 per cent, well above the average for industry as a whole. Yet the stock market has been slow to respond. Two years ago, ACF was trading at only eight times earnings. Even a recent run-up has only nudged it into the ten-times group.

This is a matter of some concern to chairman John Burditt, a member of the new management team that helped to resuscitate the company. "We'd like to make some acquisitions," he says, "but one of our problems is this low price-earnings ratio. It means we can't buy acquisitions without seriously diluting our earnings, and many companies just don't want to sell for cash."

"Performance is the first step but performance must be communicated"

To Burditt of ACF Industries, and to his counterparts in all categories of business, performance must obviously be the key consideration.

It absorbs the energies of every senior executive faced with the responsibility of recharging the batteries of companies with weakening profit margins, or lagging growth rates. It is the daily obsession of those determined to see that whatever pre-eminent position their firms now hold will continue to remain unchallenged.

Prodigious effort is expended in the re-shuffling of personnel, the improvement of efficiency, the modernization of physical facilities, for research and development, for diversification and the redoubling of sales efforts. All with one single-minded objective in view. Performance!

Performance is the first step. *But performance also means infusing a growth spirit into a company.* And that spirit must be communicated.

For how can one be sure that the substance of performance, once achieved, will make itself known to all of the audiences that affect corporate destinies?

Will security analysts correctly evaluate the improved potential inherent in all you've done to upgrade corporate performance?

Will stockholders—intrigued perhaps by the glitter of whatever glamour industries are momentarily holding forth in the investment spotlight—uncover your intrinsic worth?

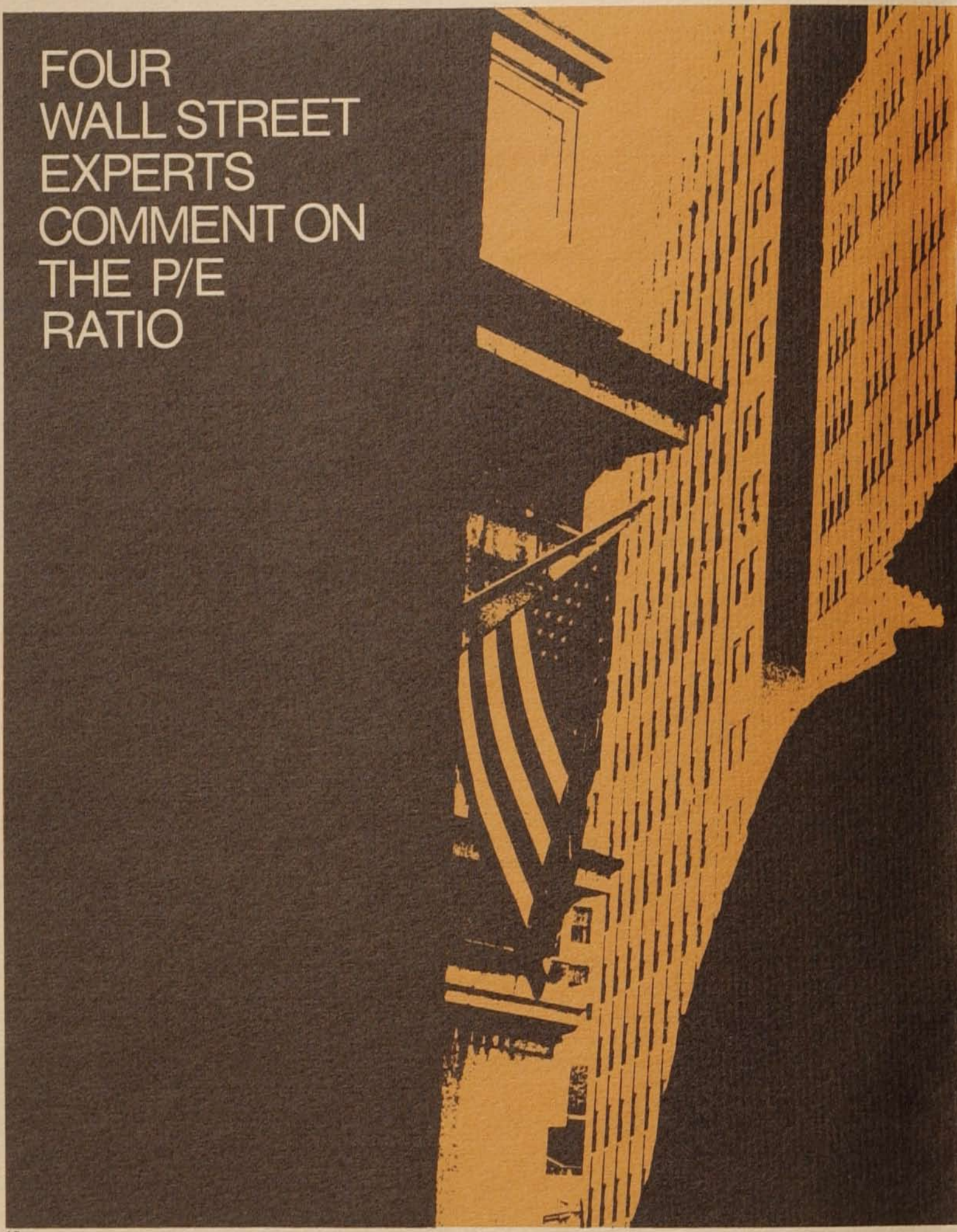
Will financial writers and editors penetrate the cloak of anonymity that obscures uncommunicated performance, and trumpet it to the world in their articles?

Perhaps. But don't count on it.

On Wall Street, as elsewhere, it is important to be what you are. It's equally important to *communicate* what you are.

But . . . what exactly does the P/E ratio *communicate* about a company? We asked four acknowledged Wall Street experts to address themselves to this topic. Their answers—in the form of directly quoted responses to the questions we posed—appear on the following pages . . .

FOUR WALL STREET EXPERTS COMMENT ON THE P/E RATIO



NEW YORK STOCK

"The P/E ratio is generally regarded as a most important criterion for companies which are merger minded."

Robert B. Johnson

Partner, Paine, Webber, Jackson & Curtis

Robert B. Johnson, partner in charge of research for Paine, Webber, Jackson & Curtis, was born and raised in New York City. He was graduated Phi Beta Kappa with a major in economics from Columbia University, and got his M.B.A. from the University's School of Business. After service with the Air Force in the Pacific during World War II, Mr. Johnson returned to Morningside Heights as an instructor in economics. He subsequently joined the then Chase National Bank as a securities analyst and in 1955 became director of research for a San Francisco investment banking firm. Mr. Johnson, whose specialty is relating economic analysis to the stock market, became director of research for Paine Webber in 1962 and has been a partner since 1964.

Mr. Johnson, just how important is the P/E ratio to institutional and private investors?

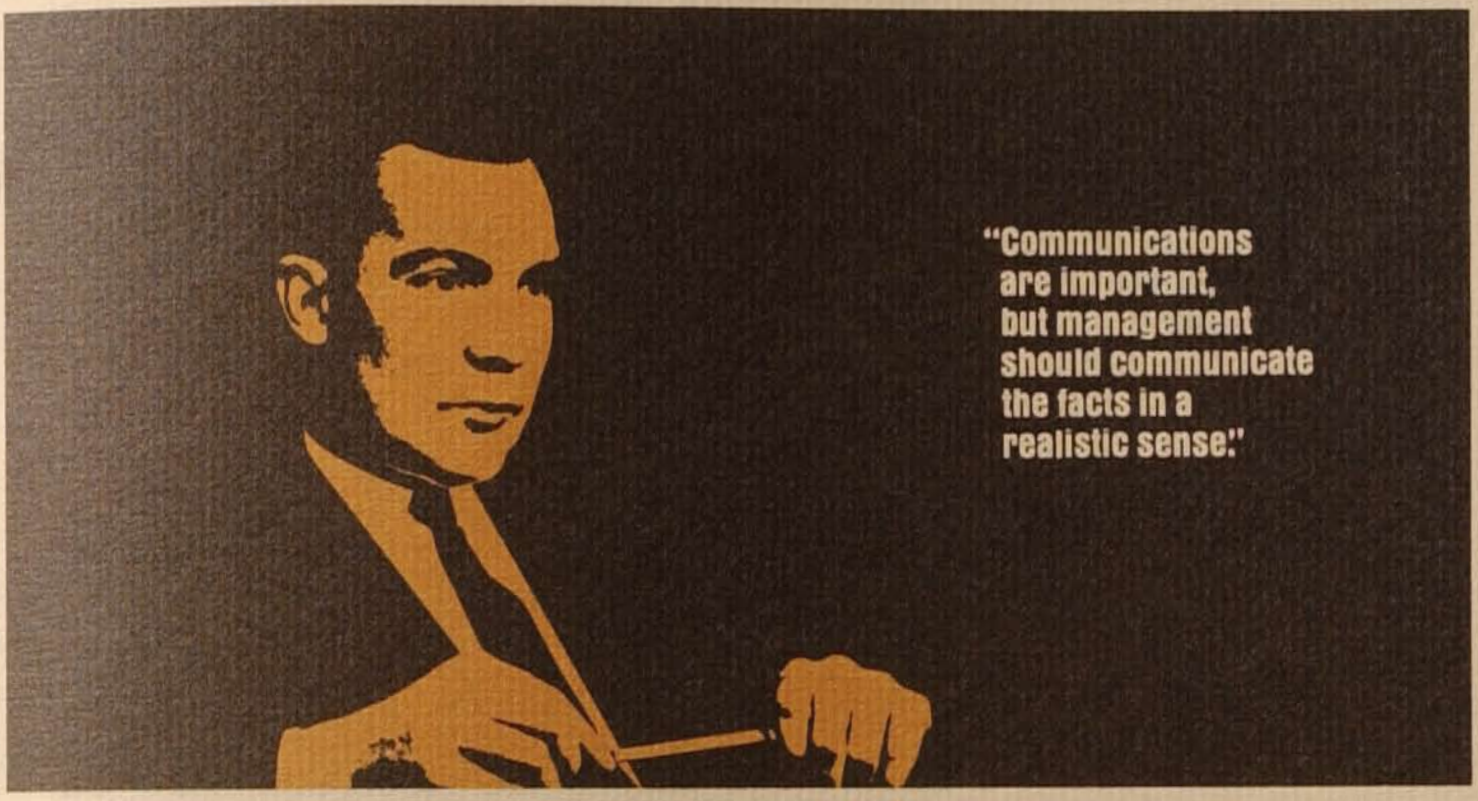
"To the institution interested in short-term performance, the P/E ratio is of little importance. It is more important to those institutions with long-term objectives. IBM and Xerox are classic examples of high-multiple stocks widely favored by institutions. In the judgment of these institutions, the demonstrated record of earnings growth justifies a higher multiple."

Yes, but what about individual investors?

"The same factors apply to individuals with similar investment objectives. To individuals seeking income the multiple is important, but is of lesser concern than yield. For investors with conservative accounts whose principal objective is preservation of capital, the multiple is all important. The reason is quite simple: the higher the multiple, the greater the risk."

How important is the P/E ratio to merger minded companies?

"The P/E ratio is generally regarded as a most important criterion for companies which are merger minded. It is a readily recognized and well-understood criterion for corporate officers, investment bankers and the investing public. One reason the multiple is important is that it represents what the market 'thinks' of the stock. While the market is not infallible, generally it is a pretty good judge, and what investors think of a stock is very important."



William W. Helman

Vice President, Smith, Barney & Company

William W. Helman, a vice president of Smith, Barney & Co., joined the investment banking firm in 1954. He was graduated from Cornell University with a bachelor's degree in economics and also has a master's degree from the Cornell Graduate School of Business and Public Administration. Mr. Helman heads a research group that specializes in electrical equipment, electronics, aerospace and office equipment companies.

Mr. Helman, what does the price-earnings ratio reflect?

"It really is an indicator of the current thinking of millions of investors with regard to such significant factors as the expectation for growth in earnings, particularly over the long term; the stability of the earnings trend; the quality of earnings from an accounting standpoint and return on invested capital."

How important a factor is return on capital in the way investors weight a stock?

"The influence here is indirect in that it works in part through the growth factor. The greater the return on capital, the more growth that can be provided without dilution of the common equity. In addition, the company with the higher return on capital can generally afford a higher dividend payout than a company with a similar growth trend but a lower return on capital. Other things being equal, the higher the payout, the higher the multiple."

How does a company go about raising its P/E ratio?

"Management raises the ratio by its input of good business practice into the business itself. It is not raised permanently by artificial stimulants, not by developing an atmosphere of market good cheer, not by communications alone, but by what should be legitimately communicated, and by what is basic and true. Communications are important, but management should communicate the facts in a realistic sense, and as completely as possible."

"The company must learn to articulate its goals."

James W. Michaels

Editor, Forbes Magazine

James W. Michaels, 46, was graduated from Harvard College in 1943 and served as a foreign correspondent for United Press before joining Forbes as an associate editor fourteen years ago. He has been editor of the magazine since 1961.

Mr. Michaels, how far can a company legitimately go in trying to upgrade its P/E ratio?

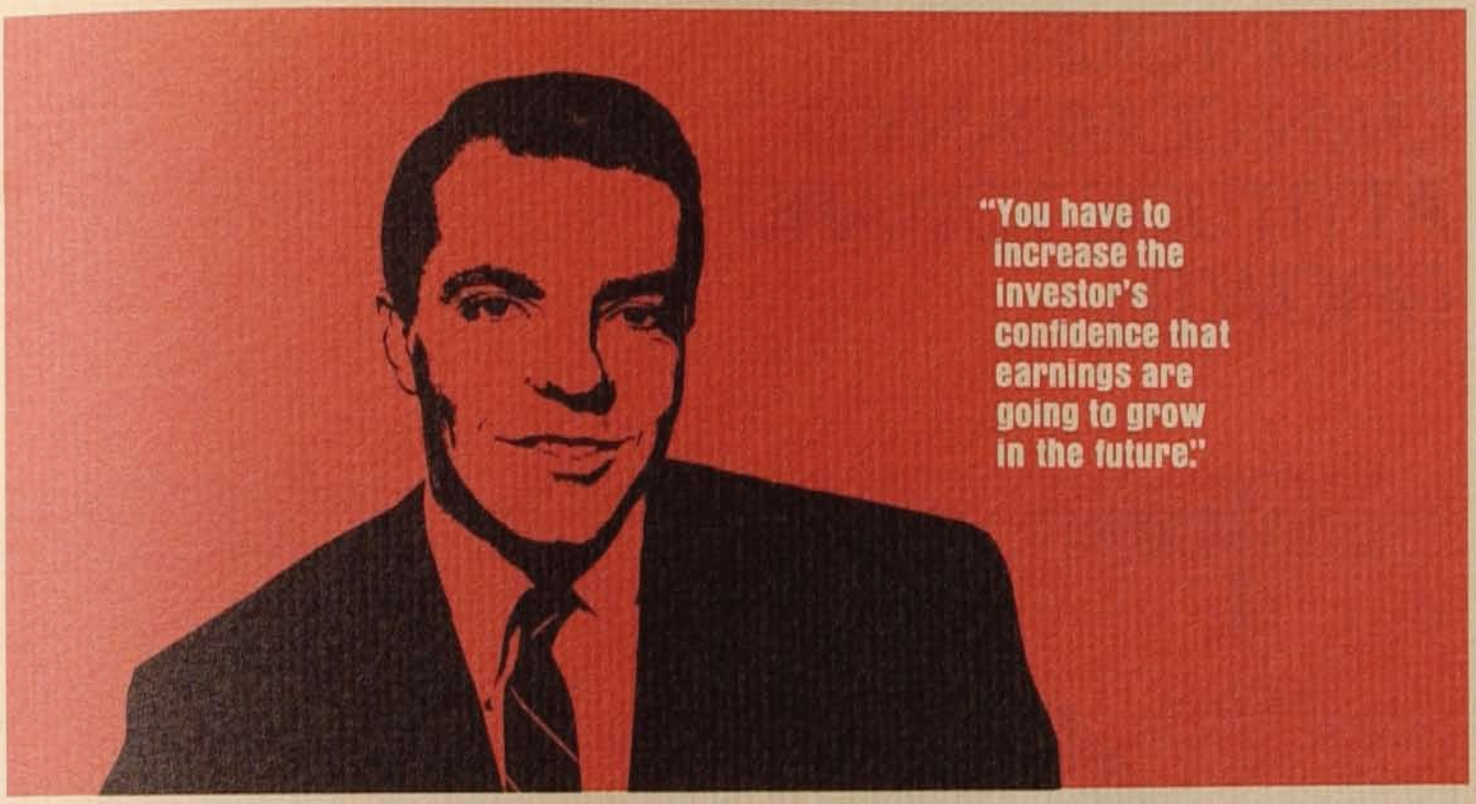
"It should go all the way. Upgrading the P/E ratio ought to be a major objective of management. It's important for stockholders, it's important in mergers, it's important for stock options and for overall corporate prestige. But the question is: how legitimately to pursue this objective. One of the best ways is through a meaningful and long range articulation of its objective and its philosophy. The company must learn to articulate its goals."

What do you mean by articulate its goals?

"A company should not just take refuge in clichés like 'we're in business to make money for our stockholders.' On the other hand, meaningful articulation does not involve inflating near-term performance just to get the stock up and then not delivering the goods. Plenty of companies have come to grief that way. They're the kind of stocks that went to 40 times earnings and are now trading at around 10."

Can you give us an example of a company that successfully articulated its goals?

"The early missionary efforts of Xerox are one such example. The company went around telling Wall Street and the financial press exactly what it was trying to do. It didn't promise miracles. In the early fifties the company even held earnings back by expensing development costs. When Xerox finally began to produce the financial community understood what was happening and responded accordingly."



Dan W. Lufkin

Chairman, Donaldson, Lufkin & Jenrette, Inc.

Dan W. Lufkin, chairman of Donaldson, Lufkin & Jenrette, Inc., a New York Stock Exchange member firm, was graduated from Yale and the Harvard Graduate School of Business. He was with Jeremiah Milbank until 1959 and then helped to organize DL & J.

A combination of a research and economic consulting firm, investment counselor, management consultant, investment banker, real estate developer and securities broker, DL & J is very well known on Wall Street and does not solicit business from the public.

Mr. Lufkin, if I'm head of a company that's trading at ten times earnings how do I get my P/E ratio up to, say, 18 times?

"Performance. Basically, the P/E ratio is a reflection of the investor's judgment of the growth of future earning power and subsequent dividend paying ability. What you have to do is increase the investor's confidence that earnings are going to grow in the future."

Once you improve performance, you have to communicate the improvement, don't you?

"The open door for security analysts is one of the standard ways of communicating, but you have to remember that the security analyst is looking at your business in relation to all other businesses in which the investor may want to put his money. Given that fact, you have to make your presentation in a logical, understandable fashion and in a manner understandable in relation to other businesses. In short, you have to conceptualize."

What do you mean by conceptualize?

"First you have to have a clear understanding of your own business. It's not enough to say 'we make bricks.' What concept do you have about bricks? Are they just building materials, or can you cut the bricks in 20 different forms and sell them in 20 different markets, or are they a part of a building system which by definition describes greater markets and broader horizons? Of course, if they are just bricks to you, they'll be just bricks to the analyst also."

Can you cite examples of companies that have made performance and the conceptual approach work for them?

"The conglomerates. Some of them have gotten through to the analysts and convinced them that their products are not hairpins, automobile parts or movies. Their product is earnings per share. This is not true of all conglomerates, of course. Again, it's one man's concept of what his business is, both the fact and the fancy, each of which has a place in the ultimate P/E ratio."

Now that you've sampled the authoritative opinions of four experts on the P/E ratio, the question arises: *How does it relate to your own corporate situation?*

In the following, and final section of this issue, the relationship of P/E ratio to corporate growth is discussed, and a simple yet effective means presented of testing your own company's underlying growth attitude . . .

Growth Attitude Test

	Yes	No
1 When new developments in your industry are to be discussed in the press, is your company asked for a statement?	■	■
2 If one of your competitor's top salesmen wanted to change jobs, would he approach your firm first?	■	■
3 Are your company's actions often imitated?	■	■
4 Is your exhibit at a trade show a must for buyers?	■	■
5 Does your advertising appeal to your future as well as your present markets?	■	■
6 Has your company been selected by the government to help represent your industry at overseas trade fairs?	■	■
7 Do college placement directors send their best people to your company?	■	■
8 Are your plants sought after for tours by community groups?	■	■
9 Are you proud of your rolling stock?	■	■
10 Are you an innovator in new ways of doing business, as distinguished from the innovation of new products?	■	■

	Yes	No
11 Are security analyst organizations likely to seek you out as a speaker?	■	■
12 Do you welcome consultants rather than fear them?	■	■
13 Is your company rated the most dangerous adversary by your competitors?	■	■
14 Are your products the price leaders against which others discount?	■	■
15 Have you recently created a package, product or service that caused excitement in your industry?	■	■
16 Do your sales brochures look as though they had been designed twenty-five years ago?	■	■
17 Are your executives apologetic about their offices?	■	■
18 Do you often lose promising talent to other companies?	■	■
19 Does retirement seem attractive to your employees?	■	■
20 In your company, does one often hear the statement: "But we've always done it that way"?	■	■

Key to the test appears on the following page

Key to the Growth Attitude Test on the preceding page...

To reflect a growth attitude, the first fifteen questions should be answered "yes", the last five "no".

A score of 18 to 20 gives you a dynamic growth posture; 14 to 17 is still passable; 10 to 13 is cause for concern; and anything under 10 is a clear warning that strong remedial steps are needed.

Where Do You Stand?

In evaluating your own answers to the foregoing Growth Attitude Test, you may have begun to recognize that you do indeed require a considerable upgrading in many of the areas of performance that lead to improved signs of great corporate expectations.

On the other hand, it's possible that the test showed, to an extent that even you were hitherto unaware, a far greater and more meaningful commitment to growth on the part of your company than your P/E ratio had ever succeeded in revealing.

If so, fine. But...who else, besides you, knows about it?

If you would like further information about corporate communications planning, or related subjects, as they pertain to the issues discussed here, you are invited to send for the following literature:

Design Sense No. 49—What Wall Street Says and Does About the Corporate Image
What effect has corporate image on the price of a company's stock and the way it is traded on Wall Street? This question is examined in depth by the people who should know best—the men of Wall Street. Their opinions are supported by a study of the behavior of individual stock issues over a four year period.

Design Sense No. 44—Corporate Turnaround
How professional management takes stock of where a company is going and how it proposes to get there . . . how an old corporate identity is scrapped and replaced. Described are the behind-the-scenes reshaping of three corporate identities and the far-reaching effects of the individual programs of all three.

Design Sense No. 41—Two Assignments: U.S. Rubber and Borg-Warner
U.S. Rubber and Borg-Warner suffered from the same affliction: failure to identify themselves precisely to their various publics and, therefore, failure to communicate their true business character. But the specific cure for each was quite different, pointing up the dangers of generalizing about corporate communications.

The Imperatives of Corporate Name Selection—
Over a six-year period, one out of every ten companies listed on the New York Stock Exchange has been involved with a corporate nomenclature problem. Should you or shouldn't you change *your* corporate name? And how do you go about it? Ten points to consider before making a name-change decision. A much needed text on a complex subject.

All requests should be addressed to:
Design Sense
Lippincott & Margulies
277 Park Avenue
New York, N. Y. 10017

In Canada: 2200 Yonge Street, Toronto
In Europe: 53 Grosvenor St., London W.1

Lippincott & Margulies, Inc.
and Lippincott & Margulies Ltd.
U.S.A.: 277 Park Avenue, New York, N. Y. 10017
Canada: 2200 Yonge Street, Toronto
Europe: 53 Grosvenor Street, London W.1

Consultants in Design—Marketing—Communications
Communications Planning
Corporate Identification Systems
Interiors—Architectural Exhibits
Market Planning
Market Research
Name Development
Package Planning and Design
Product Planning and Design